



2013-2014 FIRST QUARTER REPORT

Hon. Blaine Higgs

Minister of Finance

September 2013

2013-2014 First Quarter Report

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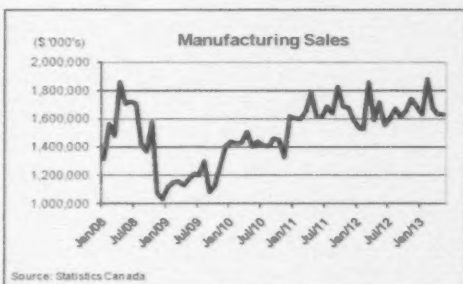
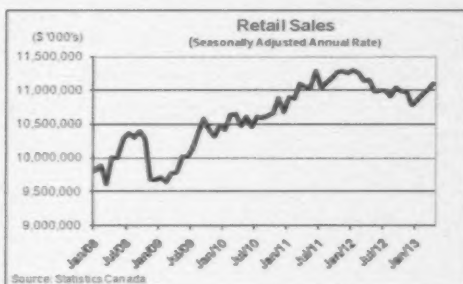
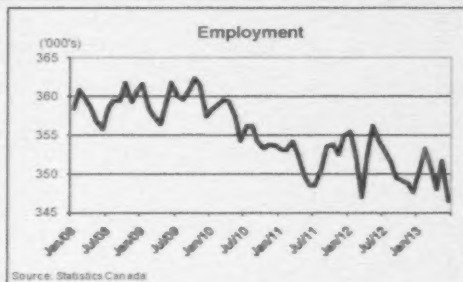
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Think Recycling!

2013 Economic Update



New Brunswick Economic Indicators			
	2011	2012	2013F
Real GDP	0.0	-0.6	0.5
Wages and Salaries	3.9	1.6	2.0
Employment	-1.2	-0.2	0.0
Unemployment Rate (%)	9.5	10.2	10.5
Consumer Price Index	3.5	1.7	1.2

Source: Statistics Canada
% chg unless otherwise indicated

- The IMF revised their forecast downward from their April outlook of 3.3 per cent, with global growth in 2013 expected to remain at the 2012 level of 3.1 per cent.

- Factors influencing global growth include weaker domestic demand and slower growth in several key emerging market economies, as well as a more protracted recession in the euro area.

- Real GDP in the U.S. increased by an annual rate of 1.7 per cent in the second quarter, following a 1.1 per cent growth rate in the first quarter.

- The Bank of Canada is now projecting real GDP growth of 1.8 per cent in 2013, up from earlier expectations, as external demand increases and business confidence strengthens.

- Many private sector forecasters have lowered their growth expectations for New Brunswick and are now modestly above the Department of Finance forecast of 0.5 per cent real GDP growth for 2013.

- Employment declined by 2,500 in the first six months of the year, with gains in the goods-producing sector limiting a decline in the service sector.

- Wages and salaries grew by less than 1.0 per cent year-to-date and trailed the national growth rate.

- Consumer spending is beginning to show signs of recovery with five consecutive monthly increases in retail sales; moreover sales in May were at their highest level in sixteen months.

- Led by a healthy start to the year – particularly in wood products – manufacturing sales have shown a modest improvement (+1.4%) over 2012 levels.

- Housing starts in the province's urban centres are down 13.0 per cent over year-earlier levels. Single family construction slowed during the first half of the year in the province's large urban centres, while multi-unit construction showed a modest improvement.

- Consumer price inflation in the province has averaged 0.5 per cent, slightly lower than the national growth rate of 0.8 per cent.

2013-2014 Fiscal Update

Based on first quarter information, there is a deficit of \$499.9 million for 2013-2014. This is an increase of \$21.2 million compared to the budget deficit of \$478.7 million.

Net debt is projected to increase \$619.2 million year-over-year, an increase of \$24.7 million from the budget estimate of \$594.4 million.

Revenues are \$41.4 million lower than budget mainly due to weaker-than-anticipated results for NB Power and reduced Special Operating Agency Account Revenue. The major variances include:

- Return on Investment is down \$32.4 million mainly due to lower net income of \$30.0 million for the New Brunswick Electric Finance Corporation due to weaker-than-anticipated results for NB Power. This is due to increased costs for fuel, pensions and purchased power.
- Sale of Goods and Services is down \$16.0 million from budget which is mainly offset by an increase of \$13.6 million in Miscellaneous Revenue. This is due to a realignment of revenue for the Regional Health Authorities.
- Special Operating Agency Account Revenue (net) is down \$4.4 million mainly due to lower expenses related to federal agreements.

2013-2014 Fiscal Update

Total expenses are projected to be \$20.2 million lower than budget. The major variances include the following:

- **General Government (\$7.7 million under):** Various miscellaneous under-expenditures, including lower than budgeted centrally managed funds and Consolidated Entity expenses.
- **Justice and Attorney General (\$3 million under):** Mainly due to the transfer of certain functions to the new Financial and Consumer Services Commission.
- **Post-Secondary Education, Training and Labour (\$9.9 million under):** Primarily due to projected under-expenditures in the Student Financial Assistance program due to lower interest rates and provision for loss savings, as well as the Labour Market Development program due to lower than expected uptake for employment programs.
- **Transportation and Infrastructure (\$2.3 million over):** Mainly due to higher than budgeted expenses for Ferry Operations.
- **Other accounts (\$2.0 million under):** Lower than budgeted expenses in the Regional Development Corporation Special Operating Agency due to some projects that were budgeted in 2013-14 occurring in the previous fiscal year. This was partially offset by higher than budgeted capital account expenses in the Department of Transportation and Infrastructure.

COMPARATIVE STATEMENT OF SURPLUS OR DEFICIT
Thousands
\$

	<u>Year Ending March 31</u>		Variance from Estimate
	2014 Estimate	2014 1 st Quarter	
Revenue			
Ordinary Account.....	7,565,600	7,528,118	(37,482)
Capital Account.....	81,044	82,068	1,024
Special Purpose Account.....	61,658	61,094	(564)
Special Operating Agency Account (net).....	79,133	74,722	(4,411)
Sinking Fund Earnings.....	206,500	206,500	0
Total Revenue.....	7,993,935	7,952,502	(41,433)
Expense			
Ordinary Account.....	7,930,758	7,913,062	(17,696)
Capital Account.....	44,689	47,895	3,206
Special Purpose Account.....	72,462	72,522	60
Special Operating Agency Account (net).....	69,199	63,146	(6,053)
Amortization of Tangible Capital Assets.....	355,520	355,760	240
Total Expense.....	8,472,628	8,452,385	(20,243)
Surplus (Deficit).....	<u>(478,693)</u>	<u>(499,883)</u>	<u>(21,190)</u>

COMPARATIVE STATEMENT OF ORDINARY ACCOUNT REVENUE BY SOURCE

Thousands

\$

	Year Ending March 31		Variance from Estimate
	2014 Estimate	2014 1 st Quarter	
Taxes			
Personal Income Tax.....	1,416,000	1,416,000	0
Corporate Income Tax.....	236,400	236,400	0
Metallic Minerals Tax.....	2,000	0	(2,000)
Provincial Real Property Tax.....	481,500	481,500	0
Harmonized Sales Tax.....	1,159,800	1,159,800	0
Gasoline and Motive Fuels Tax.....	243,000	243,000	0
Tobacco Tax.....	157,000	157,000	0
Pari-Mutuel Tax.....	600	600	0
Insurance Premium Tax.....	47,205	47,205	0
Real Property Transfer Tax.....	11,500	11,500	0
Large Corporation Capital Tax.....	0	0	0
Financial Corporation Capital Tax.....	28,000	30,000	2,000
Sub-total: Taxes	3,783,005	3,783,005	0
Return on Investment	326,840	294,483	(32,357)
Licences and Permits	138,267	137,756	(511)
Sale of Goods and Services	293,867	277,854	(16,013)
Lottery and Gaming Revenues	153,347	153,347	0
Royalties	110,855	110,855	0
Fines and Penalties	8,294	8,294	0
Miscellaneous	36,959	50,558	13,599
TOTAL: OWN SOURCE REVENUE	4,851,434	4,816,152	(35,282)
Unconditional Grants – Canada			
Fiscal Equalization Payments.....	1,562,000	1,562,000	0
Canada Health Transfer.....	664,000	664,000	0
Canada Social Transfer.....	262,300	262,300	0
Wait Times Reduction Transfer.....	5,368	5,368	0
Other.....	1,866	1,866	0
Sub-total: Unconditional Grants – Canada	2,495,534	2,495,534	0
Conditional Grants – Canada	218,632	216,432	(2,200)
TOTAL: GRANTS FROM CANADA	2,714,166	2,711,966	(2,200)
TOTAL: GROSS ORDINARY REVENUE	7,565,600	7,528,118	(37,482)

COMPARATIVE STATEMENT OF ORDINARY ACCOUNT EXPENSE

Thousands

\$

Year Ending March 31

DEPARTMENT	2014 Estimate	2014 1 st Quarter	Variance from Estimate	
			\$	%
Agriculture, Aquaculture and Fisheries.....	39,882	39,882	0	0.0%
Economic Development.....	101,373	101,373	0	0.0%
Education and Early Childhood Development.....	1,074,592	1,074,592	0	0.0%
Efficiency New Brunswick.....	11,649	11,649	0	0.0%
Energy and Mines.....	8,061	8,061	0	0.0%
Environment and Local Government.....	139,497	139,497	0	0.0%
Executive Council Office.....	18,370	18,260	(110)	-0.6% ✓
Finance.....	18,949	18,949	0	0.0%
General Government.....	862,873	855,175	(7,698)	-0.9% ✓
Government Services.....	59,597	59,597	0	0.0%
Health.....	2,583,815	2,583,815	0	0.0%
Healthy and Inclusive Communities.....	17,301	17,251	(50)	-0.3% ✓
Human Resources.....	3,973	3,973	0	0.0%
Invest NB.....	14,638	14,638	0	0.0%
Justice and Attorney General.....	62,700	59,718	(2,982)	-4.8% ✓
Legislative Assembly.....	21,659	21,659	0	0.0%
Natural Resources.....	101,593	101,993	400	0.4% !
Office of the Premier.....	1,652	1,652	0	0.0%
Post-Secondary Education, Training and Labour.....	604,341	594,488	(9,853)	-1.6% ✓
Public Safety.....	147,581	147,581	0	0.0%
Service of the Public Debt.....	664,000	664,000	0	0.0%
Social Development.....	1,062,734	1,062,734	0	0.0%
Tourism, Heritage and Culture.....	37,632	37,924	292	0.8% !
Transportation and Infrastructure.....	272,296	274,601	2,305	0.8% !
TOTAL.....	7,930,758	7,913,062	(17,696)	-0.2 %

✓ Projected under-expenditure

! Projected over-expenditure

COMPARATIVE STATEMENT OF CHANGE IN NET DEBT

Thousands

\$

	Year Ending March 31		Variance from Estimate
	2014 Estimate	2014 1 st Quarter	
Surplus (Deficit).....	(478,693)	(499,883)	(21,190)
Acquisition of Tangible Capital Assets.....	(421,374)	(421,930)	(556)
Amortization of Tangible Capital Assets.....	355,520	355,760	240
Deferred Revenue Related to Tangible Capital Assets ...	<u>(49,894)</u>	<u>(53,110)</u>	<u>(3,216)</u>
(Increase) Decrease in Net Debt.....	<u><u>(594,441)</u></u>	<u><u>(619,163)</u></u>	<u><u>(24,722)</u></u>